



*United States Attorney
Southern District of New York*

FOR IMMEDIATE RELEASE
FEBRUARY 27, 2008

CONTACT: U.S. ATTORNEY'S OFFICE
YUSILL SCRIBNER,
REBEKAH CARMICHAEL
PUBLIC INFORMATION OFFICE
(212) 637-2600

**SECURITIES TRADER AND FORMER UBS EXECUTIVE PLEAD GUILTY
TO CHARGES IN MASSIVE INSIDER TRADING SCHEMES**

MICHAEL J. GARCIA, the United States Attorney for the Southern District of New York, announced that MITCHEL GUTTENBERG, a former executive director in the equity research department of UBS Securities LLC ("UBS"), and DAVID TAVDY pleaded guilty today to participating in a massive insider trading scheme that netted millions of dollars in illegal profits. GUTTENBERG, 42, and TAVDY, 39, pleaded guilty in Manhattan federal court before United States District Judge DEBORAH A. BATTIS. According to the Indictment and the guilty plea proceedings:

Between December 2001 and August 2006, GUTTENBERG repeatedly sold to TAVDY and another individual material, nonpublic information regarding upcoming upgrades and downgrades in UBS analysts' securities recommendations (the "UBS Inside Information"). Investors, including institutional investors and professional money managers, regularly relied on UBS analysts' ratings of public companies' securities. As a result, changes in UBS analysts' recommendations regarding a particular company's securities were material to investors and often had a direct effect on the trading price of that company's stock.

Before UBS publicly releases its analysts' upgrades and downgrades, they must be reviewed by the UBS Investment Review Committee ("IRC"). GUTTENBERG became a member of the IRC in December 2001, and, accordingly, was entrusted with the UBS Inside Information.

In breach of his duties of trust and confidence to UBS, and in violation of UBS's written policies, GUTTENBERG sold the UBS Inside Information to TAVDY and another individual, who each paid him hundreds of thousands of dollars. TAVDY and the other individual separately used the UBS Inside Information to execute hundreds of profitable securities transactions. By using the UBS Inside Information, TAVDY and the other individual earned some

\$15 million in illegal profits for themselves and for a series of hedge funds with which the other individual was associated. GUTTENBERG's tips to TAVDY alone resulted in net profits of more than \$10 million in brokerage accounts under TAVDY's control and the brokerage account of Jasper Capital, an entity through which TAVDY traded.

When GUTTENBERG communicated that UBS was about to announce an upgrade in its recommendation for a company's stock, the recipient of the UBS Inside Information would purchase the stock. After UBS publicly announced its upgrade, the price of the stock generally would increase. The recipient then would sell the stock to earn a profit. Similarly, when GUTTENBERG communicated that UBS was about to announce a downgrade in its recommendation for a company's stock, the recipient of the UBS inside information would sell the stock short. After UBS publicly announced its downgrade, the price of the stock generally would fall, after which the recipient would purchase the stock that he had sold short to earn a profit.

For example, on March 28, 2006, GUTTENBERG communicated to TAVDY that UBS was going to downgrade its rating on the stock of Caterpillar, Inc. That day, TAVDY sold short approximately 11,000 shares of Caterpillar stock in one of his brokerage accounts. The next day, March 29, 2006, UBS publicly announced that it was downgrading its rating on Caterpillar from "buy" to "neutral." Following the UBS announcement, on the same day, TAVDY covered his short position by purchasing approximately 11,000 shares of Caterpillar stock in the same brokerage account, resulting in a profit of at least \$30,000.

Similarly, on May 25, 2006, GUTTENBERG communicated to TAVDY that UBS was going to upgrade its rating on the stock of Goldman Sachs Group, Inc. That day, TAVDY bought approximately 7300 shares of Goldman Sachs stock in one of his brokerage accounts. The following day, May 26, 2006, UBS publicly announced that it was upgrading its rating on Goldman Sachs from "neutral" to "buy." Following the UBS announcement, on the same day, TAVDY sold approximately 7300 shares of Goldman Sachs stock from the same brokerage account, resulting in a profit of at least approximately \$20,000.

GUTTENBERG pleaded guilty to two counts of conspiracy to commit securities fraud and four counts of securities fraud. He faces a maximum sentence of 90 years' imprisonment. GUTTENBERG is scheduled to be sentenced on June 2, 2008 at 11:30 a.m. GUTTENBERG remains free on bail pending sentencing.

TAVDY pleaded guilty to one count of conspiracy to commit securities fraud and two counts of securities fraud. TAVDY faces a maximum sentence of 45 years' imprisonment. TAVDY is scheduled to be sentenced on June 30, 2008 at 11:30 a.m. TAVDY remains free on bail pending sentencing.

Mr. GARCIA, a member of the President's Corporate Fraud Task Force, praised the efforts of the FBI and thanked the SEC for its assistance in the investigation.

Assistant United States Attorneys ANDREW L. FISH and JOSHUA A. GOLDBERG are in charge of the prosecution.

08-50

###